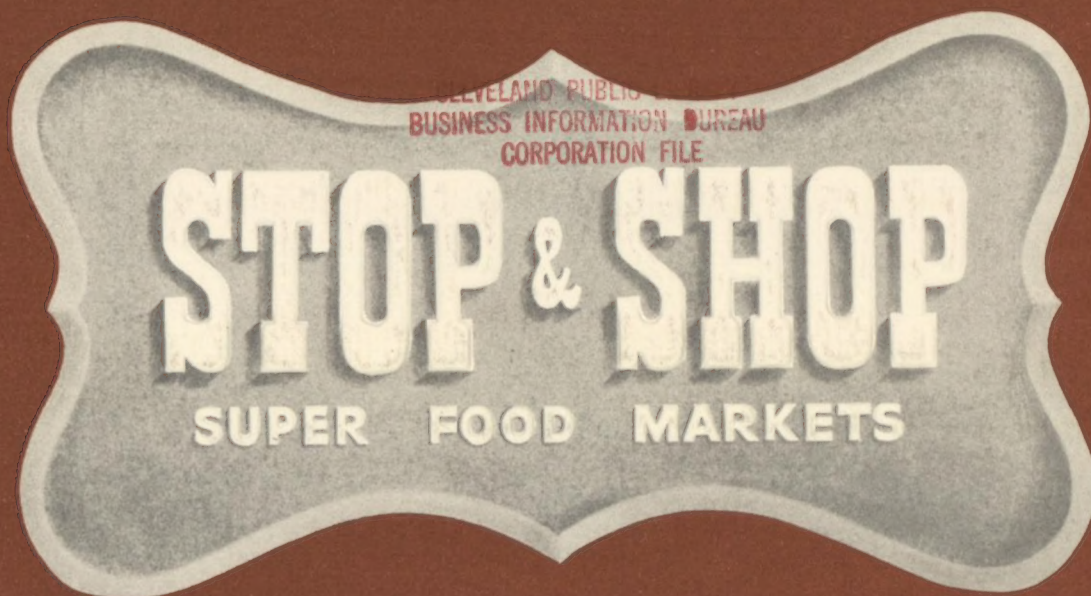


This Business of Ours...



1946

ANNUAL REPORT TO STOCKHOLDERS

for fiscal year ending June 29, 1946

ECONOMY GROCERY STORES CORP.

THE NEW YORK PUBLIC LIBRARY

ASTOR LENOX TILDEN FOUNDATION

500 N. 5TH ST. NEW YORK, N. Y.

★ ★

*Presenting the
Twenty-First*

ANNUAL

REPORT

to Stockholders

for 52 Weeks ending
June 29, 1946



Economy Grocery Stores
CORPORATION

EXECUTIVE OFFICES • BOSTON, MASSACHUSETTS

★ ★

★ ★

Our Aim:

**TO MAKE STOP & SHOP
THE BEST PLACE TO
TRADE AND THE BEST
PLACE TO WORK**

★ ★

Notice of Change of Company Name

Formerly:

ECONOMY GROCERY STORES CORP.

Changed to:

STOP & SHOP, Inc.

Address:

393 D STREET, BOSTON-10, MASS.

Telephone:

HUBbard 5800

Please correct your Records

Notes of the
of the

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ECONOMY GROCERY STORES CORPORATION

Officers

JOSEPH RABINOVITZ	<i>President</i>
SIDNEY R. RABB	<i>Chairman of the Board and Treasurer</i>
JACOB RABINOVITZ	<i>Vice-President</i>
NORMAN S. RABB	<i>Vice-President</i>
IRVING W. RABB	<i>Vice-President</i>
LLOYD D. TARLIN	<i>Assistant Treasurer</i>
MAX E. BERNKOPF	<i>Clerk</i>

Directors


MAX E. BERNKOPF	Brookline, Mass.
A. K. COHEN	Boston, Mass.
IRVING W. RABB	Newton, Mass.
NORMAN S. RABB	Newton, Mass.
SIDNEY R. RABB	Newton, Mass.
JACOB RABINOVITZ	Brookline, Mass.
JOSEPH RABINOVITZ	Brookline, Mass.
LLOYD D. TARLIN	Newton, Mass.
LESTER WATSON	Boston, Mass.

Transfer Agents

THE FIRST NATIONAL BANK
OF BOSTON

Registrars of Stock

THE NATIONAL SHAWMUT BANK
OF BOSTON



PRESIDENT'S LETTER

To the Stockholders:

I am happy to report that your company has just concluded the most successful year in its history. Sales and earnings have reached a new all-time high, and your company is in the strongest financial position since its organization.

Financial Condition

Net sales for the fiscal year, which ended June 29, 1946, were \$33,385,265.32, an increase of \$4,393,996.69 or 15.2% over the preceding year.

During the same period, the consolidated net profit increased to \$420,256.95 from \$237,389.62, a gain of 77.1%. This year's earnings amounted to \$3.59 per share as compared with last year's earnings of \$2.03 per share on 117,000 shares outstanding.

Four cash dividends totaling \$1.00 per share were paid during the year. Surplus, after payment of dividends, now totals \$4,349,437.82.

Provision for federal income and excess profit taxes amounted to \$526,101.86 or \$4.50 per share. The excess profit tax applied only to earnings prior to January 1, 1946.

In addition to the usual important expenditures for maintenance, \$212,333.63

was set aside from current earnings as a provision for depreciation.

In March of this year, the company sold \$1,000,000 of Fifteen Year Sinking Fund Debentures due January 1, 1961 to help finance our postwar expansion program. At the close of the fiscal year, the company's net working capital was \$3,480,140.78.

Change of Name

With 21 small stores closed during the year, over 94% of the company's retail business is now being done under the Stop & Shop name. In view of the fact that most consumers know us as Stop & Shop, the directors have voted to recommend to the stockholders at the annual meeting that the name of your company be changed to "Stop & Shop, Inc." The directors also voted to recommend that the stockholders authorize a 2 for 1 split in the common stock of the company.



A new type Stop & Shop Supermarket, simple in design, pleasing to the eye.



This store was especially designed to harmonize with the architectural style of the local community.

Good-natured crowds surge into new store on opening day.

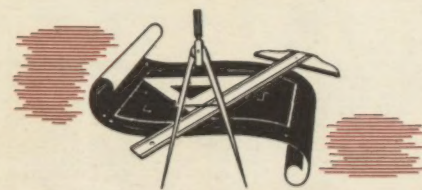


Real Estate

Last year when the war ended, we expected to be able to embark rapidly on our postwar program of opening a number of new large complete self-service food markets. The continuation of building restrictions and the shortages of building materials have made it difficult to carry out these plans. However, in spite of these difficulties, our real estate subsidiary completed a new store in Melrose, Massachusetts, during December and has just completed another store in the Roxbury district of Boston. Several additional sites have been acquired, and construction will begin as soon as possible.

New, modern, attractive stores, which anticipate future trends in store design, are

now being planned. These stores, which are more efficient for us to operate, will also bring more shopping convenience to our customers and better working conditions to our employees. With the assistance of an eminent designer, we were able to progress along these lines in our new store at Melrose. This store has not only proven satisfactory,



but has given us several additional desirable ideas which are being used in remodeling additional stores.

Store Operations

During the period when war-imposed restrictions made it difficult to build new stores, intensive effort went into the development of the stores already in operation. Improved operating and merchandising techniques have contributed to a substantial increase in the average weekly sales per store.

In the various communities we serve, the store is the representative of your company. It is the point where our merchandise, our personnel, and our policies must be translated into terms of customer satisfaction. For that reason, our main efforts are directed towards giving better service to our stores so that they in turn can give better service to our customers.

Transportation

Many of our trucks and trailers have been kept in service longer than usual because of



our inability to get additional equipment during the war period. These are being replaced now that equipment is becoming available for civilian use. This will help considerably in reducing the cost of vehicle maintenance and in improving the efficiency of our transportation.

Great strides in the handling of material were made during the war by the Army and Navy. Men who have participated in these developments are now directing the streamlining of our warehousing and transportation activities.



A fleet of these highway freighters roll day and night, covering over a million miles a year, delivering foods to Stop & Shop Supermarkets.



Self-service is the keynote of this bright, sparkling-clean produce department.

Research

During the war years, all the male personnel of the Market Research Department joined the Armed Services, and the department's activities were almost completely suspended. In December, 1945, this department again resumed its important tasks with a reconstituted staff of veterans. The major research emphasis is on new store locations, merchandising problems, and improvements in store operations.

Merchandising

The outlook for supplies of merchandise is considerably brighter at this time. Many

items which have been missing from the store shelves during the war years are gradually making their reappearance. Today our customers can choose from a greater variety of foods than at any time since 1941.

During these war years, "Ecco" and other private brands controlled by your company were curtailed because it was difficult to maintain our rigid standards of quality.

These private brands will now be re-established, but they will not be offered at the expense of nationally advertised brands. Your management feels that the public is best served by offering our private brands and the nationally advertised brands together on its shelves and permitting our customers to make their own choice.



Easy to shop in. Orderly, spic and span markets that have made Stop & Shop a New England "buy word."

Our ability to obtain additional meat slaughtering facilities, together with the elimination of meat rationing and the reduc-



tion in government requirements, enabled us to meet part of the great demand for meat and thereby increase our meat sales substantially.

Personnel

All of us are conscious of the important role played during the war period by the men and women in the field of food distribution. Their work in supporting rationing and price control programs has received official recognition from Government agencies.

Keeping customer good will during this period of annoying shortages and troublesome rationing restrictions has required great patience and understanding on the part of our employees. For this the management takes great pride in commending all the members of our organization for the part they played.

During the war, we were in contact regularly with employees who joined the Armed Services. We have welcomed back all returning servicemen and women, and they have been either placed in their former jobs or advanced to positions of greater responsibility. Their rate of pay upon return in-

cluded the increases they would have received had they remained with us.

Various training programs have been inaugurated which enable many employees to achieve self-improvement and give them an opportunity to qualify for more important jobs in the company.

During the past year, many new employee benefits have been introduced. Higher wages, shorter store working hours, liberalized vacation and sickness payments, and new group insurance benefits are now in effect.

A major step of far reaching significance has been made with the establishment of a retirement income program and new accident and health insurance benefits. Over 95% of the eligible employees are participating in this program to which the employees and the company contribute jointly.

Your management feels that most employees want security, good working conditions, adequate recognition for their efforts, and an opportunity for self-expression and self-development. Our employee relations program is designed with these thoughts uppermost in mind.

Advertising

Our advertising was awarded first prize in 1945 by "Food Ad-Views," an independent advertising organization which makes an impartial survey of retail food advertising throughout the country. An important phase of our advertising program has been the publication of institutional advertisements dealing with important domestic issues which affect the public in the area which we serve. These timely messages have evoked considerable favorable response from

Government officials, consumer groups, and customers.

In Memoriam

Deep respect is paid to the memory of Mr. Vincent J. Vollono, Vice-President and Director, who passed away on January 3, 1946, after more than 27 years of association with the company. His loss has been felt deeply by his fellow workers.

We Say "Thank You"

In the last analysis, the right of this company to exist depends on our ability to carry out our responsibilities to our customers, our employees, our suppliers and our stockholders.

It keeps us ever conscious of our goal:

"To make Stop & Shop the best place to work and the best place to trade."

And so we record our sincere appreciation to our many fellow workers and to hundreds of organizations who have furnished us with merchandise and services during this past difficult year. They have helped make it possible for us to maintain and develop our position as food merchants in this market.

A consolidated balance sheet, statement of earnings and surplus account prepared by independent auditors, Messrs. Myron Heller & Company, showing the financial condition of your company and the details of earnings for the year is appended.

On behalf of the Board of Directors,

Joseph Rabinovitz

President

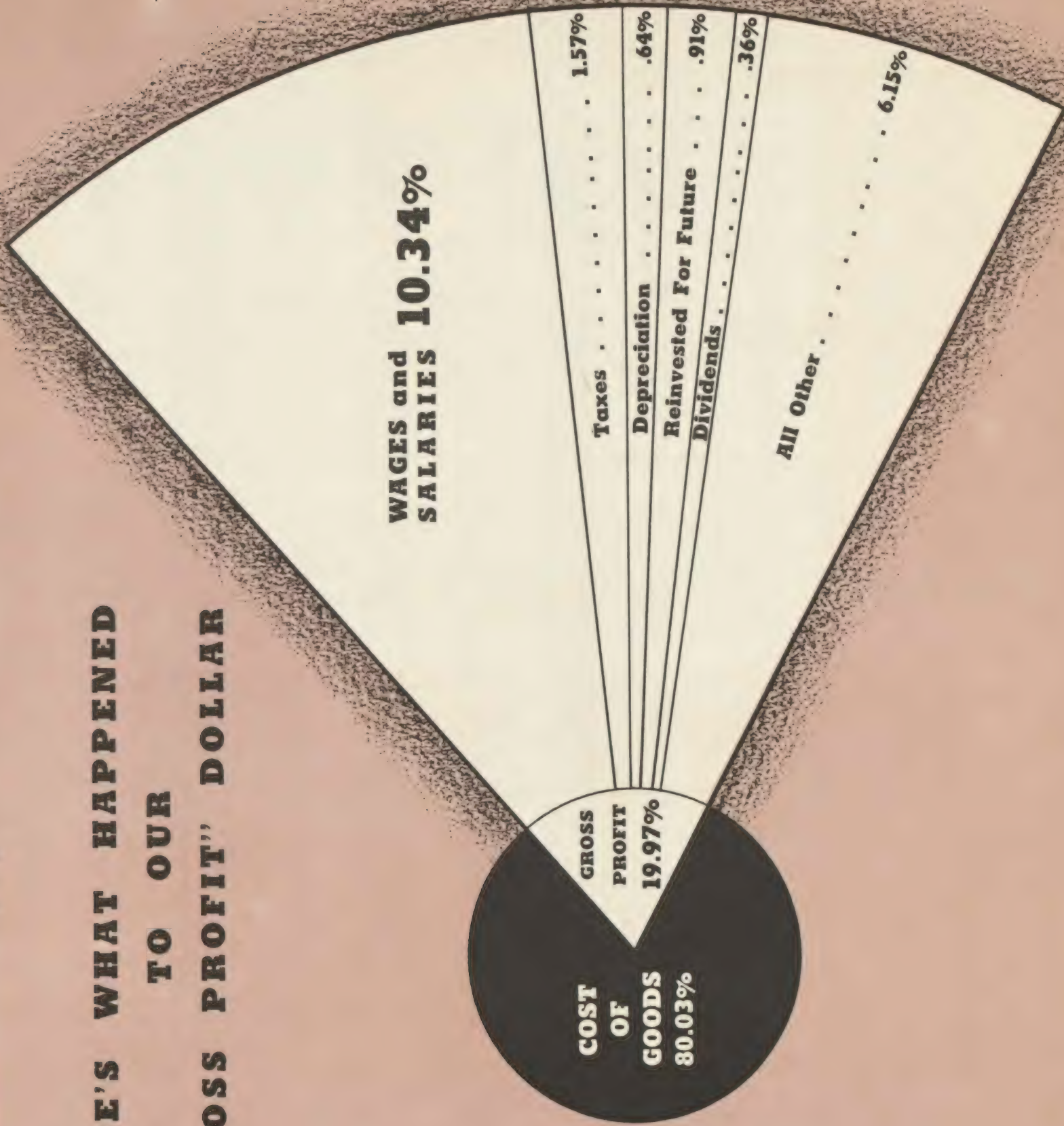


Mr. Sidney R. Rabb, Chairman of the Board, presents engraved watch and 25 year diamond pin to veteran of a quarter century of service at recent company Outing. Pins were also awarded to employees with 5, 10, 15, and 20 years of service.











































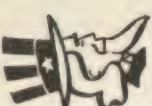

During the war, 585 men and women of Stop & Shop joined the Armed Forces. We have extended a hearty welcome to all of our returning veterans and placed them in their former positions or in jobs of greater responsibility.

**HERE'S WHAT HAPPENED
TO OUR
"GROSS PROFIT" DOLLAR**



10 YEARS OF PROGRESS

YEAR ➡	1937	1938	1939	1940	1941	1942	1943	1944	1945	1946
TOTAL SALES	 \$19,442,830	 \$19,583,932	 \$19,702,958	 \$20,881,082	 \$22,755,802	 \$26,406,330	 \$29,613,357	 \$30,868,676	 \$28,991,268	 \$33,385,265
NUMBER of STORES	 385	 351	 321	 293	 251	 187	 168	 138	 115	 94
SALES PER STORE	 \$50,500	 \$55,795	 \$61,380	 \$71,266	 \$90,661	 \$141,210	 \$176,270	 \$223,686	 \$252,097	 \$317,002
WORKING CAPITAL	 \$1,237,300	 \$1,216,479	 \$1,678,458	 \$1,657,428	 \$1,447,652	 \$1,625,870	 \$1,904,965	 \$2,155,625	 \$2,250,420	 \$3,480,140

WAGES and SALARIES		\$2,399,304		\$2,424,886		\$2,510,078		\$2,656,110		\$2,870,892		\$3,116,345		\$3,247,260		\$3,393,304		\$3,380,804		\$3,453,430
TAXES		\$146,663		\$198,860		\$191,889		\$233,290		\$314,330		\$310,776		\$306,624		\$95,400		\$345,000		\$526,101
DIVI- DENDS		\$135,000		\$120,000		\$120,000		\$126,000		\$120,000		\$120,000		\$120,000		\$120,000		\$120,000		\$120,000
EARNINGS PER SHARE		\$2.29		\$1.78		\$2.42		\$1.99		\$2.45		\$2.37		\$2.40		\$2.16		\$2.03		\$3.59
NET PROFIT		\$274,895		\$214,172		\$289,802		\$238,753		\$293,703		\$283,998		\$287,578		\$252,446		\$237,289		\$420,256

ECONOMY GROCERY STORES CORP.



BOSTON, MASSACHUSETTS

Economy Grocery

CONSOLIDATED BALANCE

(Including wholly-owned

Assets

CURRENT ASSETS:

Cash on hand and in banks.....		\$1,421,071.42
	<i>Face Value</i>	
U. S. Government Bonds 2 $\frac{1}{4}$ % due Dec. 15, 1962-59	\$100,000.00	
U. S. Government Bonds 2 $\frac{1}{2}$ % due Dec. 15, 1972-67	400,000.00	
	\$500,000.00	
Accrued interest.....	510.42	500,510.42
<i>Accounts Receivable:</i>		
Due from trade debtors, including recharges to manufacturers, municipal relief agencies and sundry claims less reserve.....	\$149,399.60	
Due from employees.....	5,533.21	154,932.81
Note receivable (including accrued interest) — trade		17,323.90
<i>Investments:</i>		
Certificates of stock in outside corporation (at cost)	\$ 2,000.00	
Officers' life insurance at cash surrender value....	68,937.91	70,937.91
<i>Inventories:</i>		
Physical inventories evaluated at average invoice cost or lower than cost, reflecting market prices, located in the company's warehouses, in storage, in stores, in transit and in vendors' premises....		2,746,921.64
<i>Total Current Assets.....</i>		\$4,911,698.10

INVESTMENTS OF S. S. REALTY CO., INC. (wholly-owned affiliate):

In real estate owned in fee simple at cost (See Note "A")	711,727.48
---	------------

FIXED ASSETS (at cost):

Land and buildings "D" Street Warehouse, South Boston, Massachusetts, owned in fee simple.....	\$ 520,383.83	
Other land and buildings.....	22,943.67	
Stores equipment, fixtures, etc.....	2,269,484.74	
Warehouse and office equipment, fixtures, etc.....	416,212.42	
Automobiles and trucks.....	251,130.95	
	\$3,480,155.61	
<i>Less — Reserves for depreciation.....</i>	2,214,621.16	1,265,534.45

DEFERRED CHARGES TO OPERATIONS:

Unexpired insurance policy premiums at unearned values.....	\$ 91,755.90	
Rehabilitation costs of stores, amortized over the life of each individual lease.....	103,223.08	
Garage, maintenance and other supplies.....	59,351.61	
Unamortized expense on company Debenture Bonds.	2,416.66	
Other deferred expenses.....	17,992.44	274,739.69
		\$7,163,699.72

NOTE "A" — Cost of land and buildings of various acquired locations.....	\$ 848,703.21
<i>Less — Accrued depreciation of buildings.....</i>	41,750.73
	\$ 806,952.48
<i>Deduct — Mortgages on this property for money advanced for construction (these mortgages are not assumed by either the parent or its affiliated companies).....</i>	95,225.00
Balance representing company's equity subject to mortgages in the aggregate sum of \$403,204.58 shown as a liability on the Balance Sheet.....	\$ 711,727.48

Stores Corporation

SHEET — JUNE 29, 1946

affiliated companies)

Liabilities

CURRENT LIABILITIES:

Accounts payable — trade creditors on open account		\$1,026,360.11	
Amortization payments on real estate mortgages of S. S. Realty Co., Inc. (maturing within one year)		20,500.00	
Advance for construction on store location		4,150.00	
<i>Accrued Accounts:</i>			
Federal income and excess profits taxes (estimated)	\$499,670.82		
Less — United States Treasury Tax Savings Notes, Series C	250,000.00	\$249,670.82	
Commonwealth of Massachusetts excise and local taxes		38,989.55	
Social security and unemployment insurance — federal and state contributions		30,918.38	
Other accrued items including vacation payroll, rent and miscellaneous expenses	60,968.46	380,547.21	
<i>Total Current Liabilities</i>			\$1,431,557.32

3% SINKING FUND DEBENTURE BONDS due January 1, 1961 (See Note "B")		1,000,000.00	
Purchase money obligations of S. S. Realty Co., Inc. under mortgages on real estate to be amortized by monthly and quarterly payments for various periods not exceeding twenty years from dates of execution			382,704.58

CAPITAL:

Authorized 150,000 shares of no par value capital stock and appropriated for 120,000 shares issued and outstanding	\$1,350,000.00		
Less — Cost of 3000 shares acquired for the treasury	39,539.22	\$1,310,460.78	
Surplus		3,038,977.04	4,349,437.82

\$7,163,699.72

NOTE "B" — These bonds were issued as coupon Debentures bearing interest from date of issue, January 1, 1946. As the indenture was not signed until March 8, 1946, the issuer was refunded the interest for the interim period from January 1, 1946. The Sinking Fund provision for the retirement of the Debentures becomes operative on December 31, 1951, at which time \$100,000.00 of the principal amount of the Debentures must be redeemed together with accrued interest, and on December 31st of every year following a similar amount of Debentures must be redeemed to and including December 31, 1959.

Consolidated Profit and Loss Account

(Including wholly-owned affiliated companies)

	<i>Fiscal Year Ended June 29, 1946</i>	<i>Fiscal Year Ended June 30, 1945</i>	<i>Increase</i>
SALES.....	\$33,385,265.32	\$28,991,268.63	\$4,393,996.69
Less — Cost.....	26,716,888.06	23,461,585.74	3,255,302.32
MERCHANDISING PROFIT.....	\$ 6,668,377.26	\$ 5,529,682.89	\$1,138,694.37
ADD OTHER INCOME:			
Cash discounts on purchases, interest income, etc.....	254,022.74	213,087.71	40,935.03
GROSS PROFIT.....	\$ 6,922,400.00	\$ 5,742,770.60	\$1,179,629.40
DEDUCT OPERATING EXPENSES:			
Stores selling expenses, warehouse and distribution costs, supervision and administrative expenses.....	\$5,726,010.08	\$4,919,475.00	\$ 806,535.08
Depreciation of buildings, equipment, trucks and automobiles.....	212,333.63	219,401.83	* 7,068.20
Interest.....	37,697.48	21,604.15	16,093.33
<i>Total</i>	5,976,041.19	5,160,480.98	\$ 815,560.21
	\$ 946,358.81	\$ 582,289.62	\$ 364,069.19
Deduct — Federal taxes (estimated):			
Income and surtax.....	\$ 480,101.86	\$ 158,000.00	
Excess profits.....	46,000.00	526,101.86	181,101.86
NET PROFIT TO SURPLUS.....	\$ 420,256.95	\$ 237,289.62	\$ 182,967.33

*Decrease

Consolidated Surplus Account

FISCAL YEAR ENDED JUNE 29, 1946

BALANCE, July 1, 1945.....	\$2,735,720.09
Add — Net profit for the fiscal year ended June 29, 1946.....	420,256.95
	\$3,155,977.04
Deduct:	
Cash dividends paid — \$1.00 a share on 120,000 shares outstanding.....	\$120,000.00
Less — Dividends on capital shares held in treasury.....	3,000.00
	117,000.00
BALANCE, June 29, 1946.....	\$3,038,977.04

Accountants' Certificate

We have made an examination of the books and accounts of Economy Grocery Stores Corporation including its wholly owned affiliates, S. S. Realty Co., Inc. and S. S. Eustis Co., Inc. for the fiscal year ended June 29, 1946. In accordance with generally accepted auditing standards applicable in the circumstances, omitting no procedure inherent therein, this examination consisted of a detailed audit of such transactions that we believed to be important, that were effected during the fiscal year above stated, but did not include a detailed audit of all transactions. We have verified by outside confirmation such of the balance sheet items we deemed appropriate and necessary; and we are of the opinion by reason of our familiarity with the controls and accounting records of the companies, that those items not verified in this way, are correctly stated.

In our opinion, based upon such examination, the attached financial statements fairly present, in accordance with generally accepted principles of accounting applied on a basis consistent with previous years, the financial position of the companies at June 29, 1946, and earnings for the fiscal year ended with that date.

MYRON HELLER & COMPANY

Certified Public Accountants

By: MYRON HELLER, C.P.A.

Boston, Massachusetts

August 21, 1946

**STOP & SHOP CONSISTENTLY
OFFERS OUTSTANDING VALUES
ON** *Quality Foods*



↑ Many of Stop & Shop fresh produce items are pre-packaged for the shopper's convenience.

Delicious baked goods — wonderfully fresh and tempting — from Stop & Shop's own ovens. →



← Ecco Eggs — fresh from local New England farms — are gathered each day at our own egg receiving station in lovely Nashoba Valley near Littleton, Mass. Every egg is carefully candled and inspected — the finest money can buy.

